

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



Washington 25, D.C.

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## AMERICAN AUTOMOBILE INSURANCE EXEMPTED FROM REPORTING REQUIREMENTS

The Securities and Exchange Commission has granted an application of American Automobile Insurance Company, Newark, N.J., for an exemption from the duty to file annual and other periodic reports with the Commission pursuant to provisions of the Securities Exchange Act of 1934 and the rules of the Commission thereunder.

According to the application, all of the outstanding securities of American Automobile Insurance Company are held of record and consist only of 1,750,000 shares of capital stock, all of which are owned and held by The American Insurance Company. The latter is subject to the reporting requirements; and, under Commission rules, it must include appropriate financial statements of the subsidiary in its annual reports so long as the subsidiary remains a separate legal entity and the parent remains subject to the reporting requirement.

Under the circumstances, the Commission concluded that the continued filing of reports by American Automobile Insurance Company is not necessary in the public interest or for the protection of investors.

## GRAHAM & CO. BROKER-DEALER REGISTRATION CHALLENGED

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Graham & Company, Pittsburgh, Pa., should be revoked for alleged violation of the registration and disclosure requirements and fraud prohibitions of the Federal Securities Laws, and whether to suspend or expel the firm from membership in the National Association of Securities Dealers, Inc.

According to the Commission's order, information developed in an investigation conducted by its staff "tends, if true, to show" that in the offering and sale of Hard Rock Mining Co. stock between July 1956 and March 1957, Graham & Company ("Respondent"), together with E. W. Sterling Graham and Susan P. Graham, partners of the firm, "employed devices, schemes and artifices to defraud," made false representations of material fact, and "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit upon the purchasers." It is also charged that the stock was sold in violation of the registration and disclosure requirements of the Securities Act of 1933.

The Commission's order asserts that, in the offering and sale of Hard Rock Mining stock at prices "far in excess of prevailing market prices" therefor, Respondent withheld from the purchasers information as to the prevailing market prices for the stock and induced them to purchase the stock at prices far in excess of, and having no reasonable relationship to, its contemporaneous costs for the stock, and thereby obtained unreasonable and excessive profits. The Grahams are said to have aided and abetted such acts by the Respondent. It is further asserted that, in the offering and sale of the stock, false representations were made concerning the market for the stock, the price at which Respondent acquired the stock, and the interests of the Respondent and W. E. Sterling Graham in Hard Rock Mining Co. There was also a failure to disclose a control relationship between Respondent and Hard Rock Mining Co., according to the order.

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The order of the Commission also charges that, in the offering and sale of Texas Adams Oil Co. stock during the period December 27, 1955, to January 18, 1956, Respondent (1) induced certain customers to purchase the stock upon the express or implied representation that such securities would be delivered promptly, whereas the securities were not delivered to the customers at the time of sale or within a reasonable period thereafter; and (2) that Respondent induced certain persons to purchase said stock at prices substantially higher than the current market price therefor and falsely represented to such persons the market price thereof, thereby obtaining excessive and unreasonable profits. The Grahams are said to have aided and abetted such acts by the Respondent.

At a hearing scheduled for July 21, 1958, in the Commission's Washington Office, inquiry will be conducted for the purpose of adducing evidence with respect to the foregoing matters and to determine whether Respondent has wilfully violated the Federal Securities Laws and, if so, whether it is in the public interest to revoke its broker-dealer registration and/or to suspend or expel it from membership in the NASD.

#### SEC ORDERS PROCEEDINGS AGAINST LOGAN & CO.

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether to revoke the broker-dealer registration of J. Logan & Co., of Pasadena, California, for alleged violations of the anti-fraud provisions of the Federal Securities Laws, and whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

According to the Commission's order, information developed in an investigation conducted by its Staff "if true, tends to show" that during the period October 1953 to January 1958 Logan & Co., ("Respondent") a California corporation, together with certain of its management officials and salesmen, "engaged in transactions, practices, and a course of business which would and did operate as a fraud and deceit upon the purchasers" of certain securities, including those of American Mollerizing Corp., Rio Grande Western Uranium, Lanolin Plus, Inc., Metallurgical Resources, Inc., Saaty Fuel Injector Corp., American-Marietta Co., Mexican Gulf Sulphur Co., Pan American Sulphur Co., Ultrasonic Corp., Warner Collieries Co., and Botany Mills, Inc. The individuals named in the order include James Harrison Logan, president and a controlling stockholder; Mildred Baxter Logan, secretary-treasurer and stockholder; Marvin Michael Hersh, vice-president and assistant secretary; Claude Stanley Jameson, Jr., vice-president, (all of whom are directors), Theodore Hersh, sales manager, and seven salesmen.

The Commission's order asserts, among other things, that Respondent and the named official and salesmen, "contrary to the best interests of such customers and in violation of their trust and confidence" induced customers to engage in securities transactions which were excessive in size and frequency in light of the character of their accounts; induced purchases and sales of securities by customers without disclosing the nature of Respondent's adverse interest in such transactions; stimulated trading activity in the accounts of customers by advising and inducing certain customers to sell certain securities held in their accounts and contemporaneously advising and inducing certain other customers to buy the same securities, without disclosing that the advice being given to one group of customers was inconsistent with the advice being given contemporaneously to the other group, and by means of false representations and without disclosing Respondent's adverse interest therein; and made various false representations of material facts concerning Respondent and its operations and the securities being purchased and sold. The latter included Respondent's commission charges and profits on securities transactions; its professional skill, knowledge and experience; its guarantee of profits to customers and ability to protect customers against losses; the reliability and trustworthiness of recommendations made to customers; expected changes in the market price for certain of said securities; and similar matters.

At a hearing scheduled for August 4, 1958, in the Commission's Los Angeles Branch Office, inquiry will be conducted into the foregoing matters for the purpose of determining whether Respondent and the several individuals have wilfully violated the Federal Securities Laws and, if so, whether it is in the public interest to revoke the broker-dealer registration of Respondent or to suspend or expel it from NASD membership, and whether the individuals, or any of them, should be found to be a cause of any such order of revocation, suspension, or expulsion.

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PUBLIC HEARING GRANTED ON RULE PROPOSAL

The SEC today announced that it would hear arguments on July 23, 1958, at 10:00 A.M., upon its proposed new Rule N-22D-1 under the Investment Company Act of 1940 relating to permissible variations in the sales load charged upon the sale of redeemable securities of registered investment companies.

According to the announcement, the Commission has received a number of written communications from various investment companies, state regulatory authorities, trade groups, and others, setting forth their views, comments and recommendations concerning the rule proposal. Several requests also have been received for an opportunity to present oral argument thereon to the Commission.

PEOPLES LIFE INSURANCE FILES FOR SECONDARY

Peoples Life Insurance Company, Washington, D.C., filed a registration statement (File 2-14239) with the SEC on July 1, 1958, seeking registration of 41,823 outstanding shares of its \$5 par Common Stock. This stock is to be offered for public sale by the holders thereof at \$42.25 per share. The shares may be purchased by members of the National Association of Securities Dealers, Inc., at a discount of \$1.25 per share.

The company has outstanding 600,000 common shares. The selling stockholders are Robert E. McCord and Samuel W. Hauser, Executors of the Estate of Adelia E. Chiswell, Deceased, the 41,823-share offering representing all of the stock held by the Estate. McCord, a director, is also a beneficiary under the will of Adelia E. Chiswell, who was the widow of one of the founders of the company, W. W. Chiswell, who died in 1950. Officers and directors of the company own an aggregate of 258,160 shares (43%), including 123,000 owned by Mrs. Ida L. Chiswell, a director.

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Capital Reserve Corp., Washington, D.C. investment company, filed an amendment on July 1, 1958 to its registration statement (File 2-11692) seeking registration of an additional \$1,000,000 in Potomac Plans for the Systematic Accumulation of Common Stock of Potomac Electric Power Co.

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